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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/824,867	04/15/2004	Kirk Tofte	7990960/58702	7076

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EXAMINER

BARTLEY, KENNETH

ART UNIT	PAPER NUMBER
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3693

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PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No. 10/824,867	Applicant(s) TOFTE, KIRK	
	Examiner Kenneth L. Bartley	Art Unit 3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 15 April 2004.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-9 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-9 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|---|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)
Paper No(s)/Mail Date <u>08/05/2004</u> . | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. Claims 1-9 have been examined.

Specification

2. The disclosure is objected to because of the following informalities: in ¶ [0007] "...issue investment asset fall..." where asset should be plural; in ¶ [0008] "...have a history or higher than..." where "or" should be "of"; in ¶ [0010] "...portfolios to take maximized overall return" should not have the word "take"; in ¶ [0044] "...one key signal produced out by the stock market..." should not have the word "out"; use of the word "founds" instead of "funds" in various parts of the specification.

Appropriate correction is required.

Claim Rejections - 35 USC § 112

3. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.
4. Claims 6 and 7 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.
5. Claim 6 by itself does not make sense, where monies are allocated to classes regardless of the measuring classes. For purposes of this examination, it is assumed that funds are allocated to a large cap fund if a large cap index outperforms a small cap

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index. Funds are allocated to a government or corporate bond fund if this is not the case.

6. Claim 7 provides for a measuring step with a large-cap and small-cap fund and allocating monies to a large cap stock and bond funds. For purposes of this examination, it is assumed allocation of funds between large-cap stock and bond funds when the large-cap index outperforms a small-cap index.

Claim Rejections - 35 USC § 103

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

8. The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

9. Claims 1-5 and 9 are rejected under 35 U.S.C. 103(a) as being unpatentable over U.S. Patent No. 7,020,629 to Kihn in view of US Pub. No. 2002/0174045 to Arena et al..

Regarding claim 1:

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An investment method for maximizing return on investment by periodic comparison of performance between classes of financial asset groups, said method comprising the steps of:

Kihn teaches:

"...selecting, from the universe of asset classes, a restricted number of asset classes that have demonstrated superior returns by maintaining momentum..." (Abstract)

selecting at least two classes of financial asset groups at a beginning of a period of time;

"...selecting, from these asset classes..." (Abstract), where classes is plural.

measuring the performance of said classes at an end of said period of time to determine a dominant and recessive class in terms of performance over said first period of time;

"...a restricted number of asset classes that have demonstrated superior returns by maintaining momentum during an existing first period of time..." (Abstract). Inherent in demonstrating superior returns would be measuring the performance of the classes relative to each other.

allocating assets to said dominant class over said recessive class at the end of said period of time; and

"...tracking and periodically updating investment decisions to monitor and maintain the calculated momentum of the moving portfolio." (Abstract)

(see below)

repeating said measuring and allocating steps for an indefinite number of periods of time.

Inherent in maintaining the momentum of the moving portfolio described above would be an indefinite number of time periods.

Kihn teaches selecting asset classes to maximize returns and updating investment decisions to maintain momentum of a moving portfolio during a period of time. Kihn does not teach measuring and allocating assets based on dominant and recessive classes.

Arena et al., also in the business of asset class allocation to maximize returns, teaches:

"To maintain the investor's preferred asset allocation within a product, a periodic or event-driven re-evaluation and reallocation of assets is generally performed, which is commonly referred to as "rebalancing." ¶ [0008]

Because both Kihn and Arena et al. teach asset allocation to improve returns, it would have been obvious to one skilled in the art at the time of

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invention to replace measuring and allocation within a class as taught by Kihn with measuring and allocation among classes as taught by Arena et al., and that this would allow Kihn to use his method for portfolio allocation within a class to also be applied to his need to maximize asset class return among classes.

Regarding claim 2:

The invention in accordance with claim 1 wherein said at least two classes of financial asset groups are selected from a group comprising large-cap growth stocks, large-cap value stocks, mid-cap growth stocks, mid-cap value stocks, small-cap growth stocks, small-cap value stocks, corporate bonds, government bonds, municipal bonds, mutual funds, hedge funds, and 401 (k).

Kihn discloses:

Different asset classes in Fig. 2.1 that include, for example, Large-Cap Growth funds.

Regarding claim 3:

The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap growth fund, and another one of said at least two classes of financial asset groups is a small-cap value fund.

Kihn discloses:

A large-cap growth fund and small-cap growth funds as classes of assets (Fig. 2.1).

Regarding claim 4:

The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap growth fund, another one of said at least two classes of financial asset groups is a large-cap value fund, one of said at least two classes of financial asset groups is a small-cap growth fund, and another one of said at least two classes of financial asset groups is a small-cap value fund.

Kihn discloses:

A large-cap growth and value funds and small-cap growth and value funds as classes of assets (Fig. 2.1).

Regarding claim 5:

The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap growth fund, and another one of said at least two classes of financial asset groups is a large-cap value fund.

Kihn discloses:

A large-cap growth fund and small-cap value fund as classes of assets (Fig. 2.1).

Regarding claim 9:

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invention to replace measuring and allocation within a class as taught by Kihn with measuring and allocation among classes as taught by Arena et al., and that this would allow Kihn to use his method for portfolio allocation within a class to also be applied to his need to maximize asset class return among classes.

Regarding claim 2:

The invention in accordance with claim 1 wherein said at least two classes of financial asset groups are selected from a group comprising large-cap growth stocks, large-cap value stocks, mid-cap growth stocks, mid-cap value stocks, small-cap growth stocks, small-cap value stocks, corporate bonds, government bonds, municipal bonds, mutual funds, hedge funds, and 401 (k).

Kihn discloses:

Different asset classes in Fig. 2.1 that include, for example, Large-Cap Growth funds.

Regarding claim 3:

The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap growth fund, and another one of said at least two classes of financial asset groups is a small-cap value fund.

Kihn discloses:

A large-cap growth fund and small-cap growth funds as classes of assets (Fig. 2.1).

Regarding claim 4:

The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap growth fund, another one of said at least two classes of financial asset groups is a large-cap value fund, one of said at least two classes of financial asset groups is a small-cap growth fund, and another one of said at least two classes of financial asset groups is a small-cap value fund.

Kihn discloses:

A large-cap growth and value funds and small-cap growth and value funds as classes of assets (Fig. 2.1).

Regarding claim 5:

The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap growth fund, and another one of said at least two classes of financial asset groups is a large-cap value fund.

Kihn discloses:

A large-cap growth fund and small-cap value fund as classes of assets (Fig. 2.1).

Regarding claim 9:

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The invention in accordance with claim 1 wherein said allocating step involves allocating 100% of assets between said classes.

The Applicant states in the background of their specification: "In typical asset allocation programs, assets are split between several classes of investments in some predetermined ratio." ¶ [0005] Therefore, it is inherent that 100% of assets are allocated between classes.

10. Claims 6-7 are rejected under 35 U.S.C. 103(a) as being unpatentable over the references as combined in section (9) above in further view of Official Notice.

Regarding claims 6 and 7:

(claim 6) The invention in accordance with claim 1 wherein one of said at least two classes of financial asset groups is a large-cap fund, another of said at least two classes of financial assets groups is a small-cap fund, and another one of said at least two classes of financial asset groups is a government and investment grade corporate bond fund, wherein said measuring step is performed with same small-cap and said large-cap funds and said allocating step is performed with said large-cap and said government and investment grade corporate bond funds.

(claim 7) The invention in accordance with claim 1 one of said at least two classes of financial asset groups is a large-cap fund, another one of said at least two classes of financial asset groups is a small-cap fund, and another one of said at least two classes of financial asset groups is a stock and bond fund, wherein said measuring step is performed with same small-cap and said large-cap funds and said allocating step is performed with said large-cap and said stock and bond funds.

While Kihn teaches asset classes, he does not teach investing in assets that will limit or reduce loss based on the performance of other funds. However, the Examiner takes Official Notice that hedging is old and well known. Therefore, it would have been obvious to one skilled in the art at the time of invention to consider hedging in order to mitigate risk and that this would reduce potential losses during down cycles of an index fund performance.

11. Claim 8 is rejected under 35 U.S.C. 103(a) as being unpatentable over the references as combined in section (9) above in further view of Hendricks et al. (Darryll Hendricks, et al., "Hot Hands in Mutual Funds: Short-Run Persistence of Relative Performance, 1974-1988," March 1993, The Journal of Finance, Vol. XLVIII, No. 1).

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Regarding claim 8:

The invention in accordance with claim 1 wherein said period of time is one year.

While Kihn, in the business of momentum investment for classes, teaches 100% fund turnover for a portfolio in a year, he does not teach details of class turnover.

Hendricks et al., also in the business of momentum investment, teaches:

“The relative performance of no-load growth-oriented mutual funds persists in the near term, with the strongest evidence for a one-year evaluation horizon.” (Abstract.

Therefore, it would have been obvious to one of ordinary skill in the art at the time of invention to add a one year turnover to classes motivated by Hendricks et al., and that such a turnover would be consistent with the portfolio time frame of one year disclosed by Kihn.

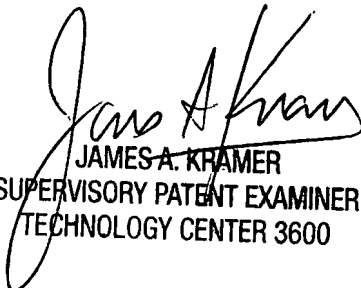
Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Kenneth L. Bartley whose telephone number is (571) 272-5230. The examiner can normally be reached on Monday through Friday, 8:00 - 5:00 EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer be reached on (571) 272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.


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